

What Corporations Really Want from Government: The Public Provision of Private Goods*

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A lobbyist from a major defense contractor speaking to a class on interest groups was asked, “What was the most important vote you influenced?” The lobbyist responded, “Do you mean the most important vote, or the most important thing I did for [the firm]?” She went on to explain that her most significant achievement was obtaining a 25 percent increase in the price of her firm’s missile. But a recorded vote never took place. The price increase occurred during committee markup of an omnibus defense bill. Although this outcome boosted the firm’s profits by \$50 million over five years, no legislator voted directly on the price increase.

The Public Provision of Private Goods

Lobbying situations like the missile price increase are not rare, but they are rarely studied. Instead political scientists generally analyze highly visible issues that affect numerous firms, citizen action groups, trade associations, or individuals. Political scientists then use these analyses to develop models and generalizations about what interest groups want, how they get what they want, and how public officials respond to lobbying efforts and campaign contributions. In this chapter we show that research that neglects lobbying situations like the missile price increase also neglects issues on which the largest category of lobbyists (those working for individual corporations) spend most of their time. In many ways, researchers studying interest groups are like the guy who lost his keys in the dark alley but looks for them under the streetlamp because the light is better there. It is

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unsurprising that interest group researchers may not find the keys to understanding lobbying behavior by studying highly visible issues that involve substantial conflict.

In this chapter we examine the hypothesis that a corporate lobbyist is less likely to ask legislators for votes on bills than for help in obtaining government contracts, regulatory waivers, and government subsidies for the lobbyist's corporation. We refer to government-provided benefits that help a single firm as *private goods*. Some examples of private goods are:

- A government contract to build a new tank for the army.
- A decision by the Environmental Protection Agency to allow a chemical company to phase out its organic-phosphate pesticide over a longer period than allowed by the original regulation.
- A decision by the U.S. Patent Office to give a pharmaceutical company a ten-year extension on a drug patent.

The opposite of private goods are collective goods. Collective goods are benefits that the government provides to many groups, firms, or individuals, such as a reduction in the corporate income tax rate, a change in the minimum wage, and legislation that requires all firms to provide health insurance to their workers. You can think of government benefits as lying on a continuum. At one end are purely private goods like the missile price increase, a government contract, and a regulatory waiver to a single plant. At the other end are purely collective goods such as a reduction in income taxes on all corporations or an increase in Medicare benefits to older Americans. In between are benefits with different levels of "collectiveness," such as regulations or tax changes that affect a single industry, tariffs on a single product such as computer chips, subsidies for a particular crop, and loan guarantees for first-time home buyers.

An analogy might help clarify this idea. Assume that you are a student at a state university who receives financial assistance; some of this assistance comes from working for the university. You would like the government to reduce your cost of attending college. One way to do this is for the university to give you a scholarship. This would be a private

good--only you receive the scholarship. Alternatively, the government could lower the tuition for all students at all state universities. This would be a collective good. In between these two extremes are goods that affect some, but not all, students. Your university might decide to pay higher wages to student employees who receive financial assistance, or the legislature might choose to reduce the tuition of in-state students. Figure 10.1 shows the private-collective continuum and some goods along it.

{Figure 10.1 about here }

A strategy for obtaining these benefits would be closely related to where the benefit falls on the private-collective continuum. In the case of the scholarship, you might ask two or three professors to write letters of recommendations for you. And you would give the financial aid office information that justifies giving you the scholarship. Notice that only a few people are involved in this decision: the professors and the financial aid officer. On the other hand, lowering tuition for all university students requires action by many public officials. The members of the state board of higher education must propose a tuition cut, a majority of members of the legislature must approve the board's recommendation, and the governor must sign the bill. To gain this benefit you probably would work through the student government organization at your university, which would form a coalition with the student government organizations of other state universities. This coalition would lobby the state board of education, the legislature, and the governor.

Between these two extremes is, for example, the decision to grant student workers a wage increase. This issue might involve the university's vice president for financial affairs and the managers of campus businesses that must pay the increased wage costs. To obtain this benefit you presumably would organize the student workers on your campus, who would appeal to the university's vice president and business managers.

The number of officials needed to supply a desired benefit and the lobbying resources needed to influence those officials increase as you move from the private to the collective end of the continuum. For example, getting a regulatory waiver for a single plant

could be accomplished by a single congressperson who calls an agency official and encourages him or her to grant the waiver. But reducing the corporate tax rate requires support from the Republican Party, action by several congressional committees, votes by the entire House and Senate, and the cooperation of the White House.

What difference does it make in our understanding of lobbying if political scientists concentrate on how interest groups pursue highly collective goods while corporate lobbyists pursue private goods? We would be overlooking a major portion of lobbying activity and its consequences. Collective goods such as changes in the minimum wage and a decision to allow oil exploration in Arctic wilderness areas are highly visible because they involve conflicts between organized interests. And they are sources of ideological clashes between the political parties. In these conflicts both sides are organized and have extensive political resources. Because no single interest is likely to dominate collective goods issues, focusing on them alone might lead us to conclude that the American political system is so diverse and competitive that almost everyone gets represented.

But private goods are different. They involve little conflict, and often only one side (the one with a lobbyist) gets represented. Under these conditions a single interest can dominate a policy decision. In the example of the missile price increase the firm was a clear winner and the taxpayers were clear losers, but only the firm's voice was heard in committee markup. Not surprising, the side that was heard defeated the side that was not. To the extent that students of politics overlook such situations, we are likely to underestimate the impact of organized interests on public policy.

A less obvious consequence of concentrating on collective goods is that we underestimate the influence of corporate campaign contributions on policy outcomes. Congressional campaigns often cost more than \$1 million, and political action committees rarely donate more than \$5,000 to a particular candidate. As many disparate interests contribute to the winning candidate, it is unlikely that a single contribution will influence a legislator's decision on a collective good. If, however, most corporate lobbyists are interested in private goods, then even a \$1,000 contribution may give the lobbyist the necessary access to a legislator to obtain the desired private good. When we add up the

costs and benefits of all the private goods that governments supply, the total impact of these goods may be greater than the total impact of the collective goods that governments provide.

How Important Are Private Goods?

Presumably corporations don't care whether profits obtained from government actions come from a private good or a collective good. The question the firm asks is, "Where is the most efficient place on the private-collective continuum to spend lobbying resources?" If lobbying for private goods has a higher return, then corporate lobbyists will expend more resources pursuing private goods than pursuing collective goods. But if collective goods have a higher return, lobbyists will spend their time and money seeking them instead.

In the classic exchange model of lobbying and political campaigns, interests provide campaign contributions, votes, and other resources that legislators need to gain reelection. In return, legislators provide goods to the interests. Lobbyists attempt to maximize their firm's profits for the lobbying resources allotted, and legislators try to maximize their chances of reelection. We can imagine lobbyists' decision process as follows. First they identify the governmentally supplied goods that will affect their firm's profits. Then they estimate the resources needed to lobby for each good and the probability of success. The decision calculus involves weighing expected benefits against the costs involved in lobbying. The lobbyist would pursue issues where expected benefits are greater than expected costs, or

$$P \times B > C$$

where P is the probability of success in obtaining the benefit, B is the value of the benefit to the firm, and C is the cost of lobbying for the good. The lobbyist would refrain from lobbying if $P \times B < C$.

Thus, if the expected benefit (the value of the benefit multiplied by the probability of success) is greater than the cost of the lobbying resources, then the lobbyist will pursue the good. The lobbyist will expend resources for all goods where the expected profit return for an additional dollar spent lobbying is greater than the profit the corporation could

obtain by investing that dollar in other activities such as hiring more salespeople or improving technology.

Legislators also make calculations. Legislators' actions have political benefits and costs. Legislators use the following calculation to decide which goods they will provide:

$$E = V/R$$

where E is efficiency of effort, V is the net votes gained from supplying the good, and R is the resources the legislator must expend to provide the good.

Legislators estimate the net vote gain from providing a particular good and the amount of resources needed to provide the good. By dividing the net vote gain by the required effort, legislators can determine their efficiency. Legislators then provide those goods that have the greatest efficiency. Legislators' resources include their time, influence, and expertise and the time, influence, and expertise of their staff.

An important aspect of the legislator's decision calculus is that voters will approve of some actions, be indifferent to others, and disapprove of others. If a lobbyist asks a legislator to do something that will likely cost him or her votes in the next election, then the interest must provide the legislator with enough resources to offset the lost votes and provide a net gain in votes. Thus a legislator's "price" for producing goods that constituents dislike will be higher than the price for goods that his constituents are indifferent to. The legislator will charge the lowest price for goods that constituents support.

Policy researchers such as James Wilson and Theodore Lowi have long maintained that public officials prefer to deal with policies that have low visibility to the public, involve little conflict among competing interests, and are narrow in scope.¹ Why? Because the winners know they received the policy benefits, but the losers rarely know they have paid the costs. For example, if the senator who chairs the Environment and Public Works Committee calls the Environmental Protection Agency and encourages it to grant a regulatory waiver to a firm in the senator's district, the firm will know of this effort and will reward the senator. In contrast, those who live near the polluting firm are unlikely to be aware of the senator's effort; thus they will be unable to punish him or her.

The example of the missile price increase was a decision that had a high benefit-cost ratio for legislators. The firm knew it was \$50 million richer and rewarded the legislators with electoral support. The taxpayers, who knew nothing of the action, did not punish the legislators. Even if some taxpayers had been aware of the budget change, they could not have identified the legislators responsible for the price increase because there was no recorded vote.

Compare the missile price increase with a vote on the highly publicized issue of allowing electricity producers to use more high sulfur coal. Although companies that own the coal will reward a legislator for a favorable vote, environmental groups will know of the vote and exact punishment. These groups may contribute funds and campaign workers to the legislator's opponent in the next election, and they may urge environmentally aware citizens to vote against the legislator.

So, it's safe to assume that legislators prefer policies that encourage rewards from winners and avoid retribution from losers. Those low-visibility and low-conflict policies are likely to be at the private goods end of the continuum.

Legislators also prefer policies that benefit their constituents. It is much safer politically for legislators to work on behalf of firms within their district than on behalf of firms outside their district. For example, if a legislator from North Carolina receives a large campaign contribution from a tobacco firm in the state and urges other legislators or regulatory agencies to help the tobacco firm, the public will probably deem this legitimate. The legislator simply is representing a constituent. But if a legislator from New York City receives a large contribution from a North Carolina tobacco company and lobbies on behalf of that company's interests, then the public tends to believe that the legislator has been bought. William Browne's research on agriculture policy shows this pattern. Brown interviewed lobbyists from 130 organizations and legislators and staff from 112 congressional offices. He discovered that firms almost always approached a legislator from their home district and 98 percent of the issues that firms named as important affected only their organization. Browne concluded that the agricultural policy process brings together legislators who need constituent support and constituents who want private

goods.²

While legislators have good reason to prefer supplying private goods rather than collective goods, do firms also favor private goods? Yes. If the benefits a lobbyist seeks are purely private to his or her firm, then the decision to expend resources is straightforward. As the benefits move toward the collective goods end of the continuum, the lobbyist must estimate how other organizations will contribute to the lobbying effort. Mancur Olson's *The Logic of Collective Action* shows that there are substantial transaction and decision costs in the pursuit of collective goods. Olson demonstrates that firms may prefer to free ride on the efforts of others rather than pay a share of the lobbying costs. In addition, as the number of organizations pursuing a collective good grows, the difficulties involved in mobilizing for collective action increase.³ (Think how much more difficult it would be for you to organize student workers at your university than to apply for a scholarship.)

Another reason that corporate lobbyists may prefer lobbying for private goods is that fewer public officials are needed to provide them. Sometimes a phone call from a staff member in a senator's office is enough to speed up the granting of a license or a regulatory waiver. Even in cases where large government contracts are involved, the private good can be decided by a vote in subcommittee. Decisions on highly collective goods usually involve many more decision-makers. This greatly increases a firm's lobbying costs.

Finally, firms seek private goods because the likelihood of opposition from other firms or interest groups is low. Legislators know that when requests for goods lead to conflict between organized interests, the losers will know of their losses and may attempt to punish the legislators.⁴

In summary, the higher expected rewards to firms and legislators from private goods, the difficulties involved in collective action, and the threat of opposition from other firms and interest groups indicate that firms will concentrate on lobbying for private goods. Despite this, most political science research on lobbying and political action committee contributions investigates highly visible issues such as the confirmation of a Supreme Court nominee. But if the expected return to corporate lobbying is greater for private

goods than for collective goods, then political science research is overlooking an important part of the policy process.

A Test of the Private Goods Hypothesis

If firms have an easier time obtaining private goods and public officials prefer to provide private goods, then we should be able to predict which firms will spend more on lobbying and which legislators those firms will lobby. The corporations most likely to have large lobbying expenditures are those that rely on government action to provide private goods. These will be firms that depend heavily on government contracts and firms that are heavily regulated. In contrast, firms that are not heavily regulated or whose profits do not depend on government contracts should spend little on lobbying. This will be true despite the fact that many collective goods, such as corporate income taxes, worker safety regulations, and minimum wage legislation, substantially affect all corporations.

A firm will lobby legislators who are most efficient at producing the private goods it wants. These will be legislators who sit on the committees and subcommittees that deal with the contracts or regulatory agencies critical to the firm. The legislators who will charge the lowest price for providing such goods are legislators from the firm's home district. Therefore, corporate lobbyists should concentrate on these two sets of legislators.

In addition, we predict that corporate lobbyists are more likely to lobby alone than as members of coalitions with other firms. We derive this hypothesis from Olson's arguments on the difficulties of collective action. This hypothesis is contrary to the conventional wisdom in the interest group literature. Most writers on lobbying maintain that it is better to lobby as a member of a coalition than to go it alone.⁵ We believe, however, that while coalitions are appropriate for seeking some collective goods, they are inappropriate when lobbying for private goods. (Remember the different strategies involved in reducing tuition for all students and in getting a scholarship for yourself.)

To test our hypotheses we studied corporations in three industries with differing levels of government regulation: passenger airlines, rubber-resin manufacturers, and

publishing.⁶ We limited our analysis to firms with total assets greater than \$2 billion (past research indicates that large corporations are much more likely to have lobbying offices in Washington than are smaller corporations). Five passenger airlines, seven rubber-resin companies, and seven publishing firms met our criteria for the study. Because of the small number of industries, firms, and respondents, we tested our hypotheses using a qualitative approach that maximizes the number of opportunities to falsify predictions, rather than on tests of statistical significance. Fortunately, our expectations of which firms will lobby, whom they will lobby, and the likelihood of coalition forming generate many specific and potentially falsifiable predictions.

The Industries

Despite “deregulation,” passenger airlines remain heavily regulated, and government actions strongly affect their profits. The Federal Aviation Administration (FAA) regulates airplane and airport safety and noise, allocates international routes, and decides the amount of time pilots and flight attendants may be on duty. A decision by the Treasury Department to expand customs facilities in Chicago rather than Minneapolis benefits United Airlines and harms Northwest Airlines. Fuel taxes, landing fees, and ticket excise taxes influence the production costs of all airlines. In short, numerous decisions by multiple government agencies affect an airline’s profits and competitive position. Because the industry is highly regulated, we expect its firms to expend substantial resources lobbying, to direct most of their efforts toward obtaining private goods, to concentrate on home-district representatives and members of relevant committees, and to lobby alone rather than in coalitions.

Government regulation also significantly affects profits in the rubber-resin industry.

But much of the regulation is at the state level because state agencies have the primary responsibility for enforcing the Resource Conservation and Recovery Act, the national legislation that contains the most important regulations affecting the industry. Therefore, we expect rubber-resin firms to divide their lobbying efforts between Washington and the state capitals. We anticipate that the lobbying patterns of rubber-resin firms will be similar

to those of the airlines, but expenditures at the federal level will be smaller.⁷

Our third industry is print publishing, which we chose because its profits are relatively independent of government activity. Government regulations on newspapers, magazines, and books are minimal, and, except for postal rates and government documents, government subsidies to the industry are unimportant. Thus, of the three industries, publishing firms should expend the fewest lobbying resources.

The Lobbyists

To discover the relative importance the firms place on private and collective goods, we asked each firm's Washington lobbyists for the following information:

- Which public officials they contact regularly and how frequently they contact them.
- How much time (percentage) they spend on issues that affect only their company or their company and a competitor.⁸
- Their most important issues over the past three years.
- Their major accomplishments.
- How much time (percentage) they devoted to each issue they named during the interview and to issues we had identified before the interview.

We also collected data on which firms had a political action committee (PAC) and to whom the PAC contributed. An interviewer questioned all PAC directors from the firms in our sample, asking how they decided whom to contribute to and how much to contribute.⁹ Before the interviews we gathered data on actual contributions so the interviewer could ask about contributions that didn't seem to fit the decision process.

Results

As we hypothesized, airlines spent the most resources lobbying the national government and print publishing firms spent the least. Four of five airlines had multiple lobbyists in Washington and all five had PACs. Three of the seven rubber-resin firms had a lobbyist who maintained an office in Washington, and the same number had a PAC. At the time of our interviews, only two publishing firms whose sales came mainly from publishing

printed material had Washington lobbying offices. Only one had a PAC.

On Whom Do Lobbyists Expend Resources?

All airline lobbyists reported speaking almost daily with the staff of House members from districts where their airline had hubs. Each lobbying office contacts every representative from hub districts weekly and hub senators monthly. Airline lobbyists also reported that staff members of home-district legislators frequently contact them to see if the legislator could assist the firm. Subcommittees receive even greater attention from airline lobbyists. The lobbyists reported contacting members of aviation subcommittees at least weekly and subcommittee staff almost daily. Airline lobbyists rarely contact legislators not from their hub areas and not from relevant subcommittees. We also discovered that airline lobbyists spend more time with regulatory personnel than with legislators and their staff. Each airline lobbyist reported speaking daily with FAA officials.

Whereas the airlines have more than one lobbyist in each of their offices, each rubber-resin office had only one professional lobbyist. In addition, because the implementation of the Resource Conservation and Recovery Act is a state concern, the rubber-resin lobbyists reported spending a significant portion of their time in state capitals rather than in Washington. During periods of peak activity in Washington, rubber-resin lobbyists reported speaking to home district representatives and key subcommittee members about once a week and contacting the legislators' staff members three or four times a week. Rubber-resin lobbyists reported spending little time contacting federal regulatory agencies, but indicated that they spent substantial time with state regulatory officials.

The two lobbyists from the publishing firms reported less frequent contacts with legislators than did lobbyists from the other two industries. When publishing lobbyists did contact legislators, they were more likely to speak with members of relevant subcommittees than with representatives from their home district. The lobbyists reported contacting subcommittee staff members and federal agency personnel at least weekly. While airline and rubber-resin lobbyists reported few interactions with the White House, publishing lobbyists reported working extensively with the White House staff on General

Agreement on Tariffs and Trade and North American Free Trade Agreement negotiations dealing with copyright issues.

Allocating Resources between Collective and Private Goods

If we are correct about the importance of private goods, firms in highly regulated industries allocate resources to public officials based on their ability and willingness to supply those goods. Airline lobbyists reported spending 75–95 percent of their time on issues affecting only their firm or their firm and one other. Only seven of the twenty-seven priority issues listed by airline lobbyists dealt with collective goods. Among the private goods airlines sought, only three required floor votes. Every airline lobbyist we interviewed reported winning a private good as his or her most important success. Several such successes were worth hundreds of millions of dollars. For example, Southwest Airlines received a noise regulation waiver from the FAA for its entire fleet of airplanes.

The Wright Amendment is one of the best examples of how a private good can affect unorganized consumers. The amendment, which prohibited commercial airlines from flying out of Love Field in Dallas (a hub of Southwest Airlines) to any state not contiguous with Texas, was added to an aviation bill when the Dallas-Ft. Worth Airport (DFW) was built. The amendment prevented flights from Love Field from competing with flights from DFW (the home hub of American Airlines and a major hub of Delta Airlines). A Department of Transportation analysis found that the Wright Amendment caused flights from DFW to have the highest ticket costs of any major city in the United States, raising the cost of travel out of the Dallas metropolitan area by \$200 million a year.¹⁰ The Wright Amendment enormously boosts the profits of American Airlines and Delta Airlines. While Jim Wright and Newt Gingrich were Speakers of the House (Wright from 1987 to 1989, Gingrich from 1995 to 1999), they used their influence to protect American and Delta's privileged profit margins. After Wright and Gingrich resigned, Sen. Phil Gramm and Rep. Dick Armey (both from Texas) have worked to preserve Love Field restrictions.

These legislators have not been alone in assisting airlines with hubs in a legislators' state or district. All airline lobbyists reported routinely seeking assistance from members of Congress. For example, when Southwest Airlines requested the noise waiver for its

airplanes, more than 50 representatives wrote the FAA on Southwest's behalf. Not all the legislators were from districts where Southwest had a major hub--the chairperson and members of a key subcommittee that oversees the FAA also wrote. All airline lobbyists reported asking senators from their hub states to contact both the FAA and the White House to help their airline win international routes. The legislators then pressured the White House and the FAA for policy decisions that gave their airline an advantage over a competitor.

Private goods also dominated the agenda of the rubber-resin lobbyists. They reported spending at least 75 percent of their time on issues that dealt only with their firm, they listed private goods as priority goals twice as frequently as collective goods, and all lobbyists listed a private good as their major lobbying achievement. For example, one lobbyist listed a major military contract as her major achievement; another succeeded in obtaining a regulatory waiver for a recycling plant. As with airline lobbyists, the rubber-resin lobbyists expected their home-district legislators to provide private goods to their firms. The rubber-resin lobbyists asked their representatives to help them not only with federal regulatory agencies, but also with state legislators and state regulatory officials.

Consistent with our expectations of coalition forming, corporate lobbyists in the airline and rubber-resin industries reported little cooperative lobbying to achieve collective goods. For example, a major issue for the rubber-resin industry was the cost of disposing of scrap tires. Although this issue affected all firms in the industry, its major impact was on Goodyear. Instead of forming a coalition, the other tire firms expected Goodyear to do almost all of the lobbying.

This pattern repeated itself every time one firm had a much greater stake than other firms in a collective good.¹¹ For example, Delta and American airlines both benefit from the Wright Amendment. But American paid almost the entire cost of keeping these restrictions in place. When our interviewer asked a Delta lobbyist how much time he spent on the issue, he responded that the Wright Amendment was "Mr. Crandall's concern." (Robert Crandall was the chief executive officer of AMR, American Airlines' parent company.) American's full-time lobbyists made the Wright Amendment a top priority and

paid several attorneys in Washington and Dallas to work on the issue. Delta's lobbyists merely alerted friends in Congress that Delta supported American's position.

While the reports of lobbyists from the airline and rubber-resin firms supported our hypothesis that private goods would dominate corporate lobbying efforts, the activities of the two publishing lobbyists did not. Both lobbyists listed a private good as their major lobbying accomplishment, but 70 percent of the priority issues they worked on concerned such collective goods as copyright provisions in foreign trade agreements and postal rates for printed materials. The publishing lobbyists did not lobby cooperatively on the collective goods issues, but divided them. Each lobbyist specialized on the collective goods that had the greatest impact on her firm. This arrangement was efficient because each issue required specialized knowledge and regular contacts with specific public officials.

In summary, the resource allocations of the lobbyists we interviewed support the hypotheses that heavily regulated firms spend more on lobbying than lightly regulated firms, that lobbyists in regulated industries concentrate on goods that are private to their firm, and that cooperative efforts by corporate lobbyists are less frequent than researchers generally suppose. The activities of the two publishing lobbyists, however, suggest that collective goods can be more important than private goods for industries that are not heavily regulated.

How Political Action Committees Allocate Their Funds

To discover if PAC contributions follow patterns similar to lobbying expenditures, we asked PAC directors to rank 20 possible reasons for giving to a candidate (Table 10.1). Responses were on a scale from one (not important) to four (very important). PAC directors give priority to:

- Legislators who sit on key committees and subcommittees (particularly the committee and subcommittee chairs).
- Legislators who have supported the firm in the past.
- Home-district legislators.

Federal Election Commission data on these PACs verify the reported patterns. On average,

the PACs studied gave more than three times as much to home district representatives and members of relevant committees as they gave to other legislators.

{Table 10. 1 about here}

When we look at PACs within particular industries, we find that airlines contribute almost exactly as our private goods hypotheses predict. For all but one airline, PAC directors indicated that past help in obtaining a private good was the most important influence on contribution decisions.¹² For airline PACs, neither ideology nor political party was important in contribution decisions. For rubber-resin PACs, being a member of the committee with primary responsibility for the Resource Conservation and Recovery Act, past assistance to the firm in obtaining a private good, and assistance in lobbying state and federal agencies were equally important factors. The directors of rubber-resin PACs also indicated that they supported challengers against proenvironment incumbents in close races.

A factor we expected to influence the probability of a contribution was whether the PAC director expected a candidate to win. Although past research has shown that firms and trade associations give to candidates who are likely to win, PAC directors ranked this item nineteenth out of twenty possible reasons for giving. However, our analysis of FEC data showed that with the exception of rubber-resin PACs backing challengers to pro-environment incumbents in close races, the PACs we studied did not give to challengers. This was the only case where the verbal responses from our interviewees differed substantially from their observed behavior.

How Corporations Obtain Collective Goods

Given the emphasis corporate lobbyists place on private goods, an obvious question is, “How do firms pursue collective goods?” A logical strategy would be to have the industry trade association lobby on issues that affect the entire industry.¹³ To determine if the trade associations played a key role in lobbying for collective goods we asked the corporate lobbyists to describe how they worked with the trade association lobbyists and

how successfully the trade association lobbied on issues important to the industry. We also attempted to interview the trade association lobbyists for each of our three industries. Our interviewer successfully completed interviews with the chief lobbyists of the Air Transport Association (ATA) and the Rubber Manufacturers Association (RMA). Our interviewers were unable to interview the lobbyist for the publishing trade association, who instead provided a list of the issues on which he spent either “considerable” or a “great deal of time” (but only on the condition that we not identify him or his trade association in any published material).

We asked the trade association lobbyists to list the issues they saw as most important to their industry and the time and other resources they devoted to each issue. Before the interviews we prepared a list of key issues affecting the three industries. If the trade association lobbyist did not mention an issue on our list, the interviewer asked if he or she had lobbied on the issue and, if so, how extensively. Table 10.2 lists the issues the trade association lobbyists identified as most important to their industries.

[Table 10.2 about here]

Our interviews with the corporate and trade association lobbyists uncovered several differences among the three industries in how the lobbyists pursued collective goods. The airline lobbyists delegated almost all responsibility to the ATA. For example, a major collective good for the airline industry is modernization of air traffic control. The ATA lobbyist developed the lobbying strategy on this issue, prepared technical information for policymakers, and coordinated the lobbying efforts. The airlines participated by contacting legislators and regulatory officials with whom they had particularly close relationships, but not until the ATA lobbyist determined the appropriate time. The airline lobbyists were uniformly supportive of the ATA’s efforts.

The lobbying pattern of the rubber-resin industry was somewhat different. Each rubber-resin corporate lobbyist included a collective good as a top-three priority. Thus the corporate lobbyists were less willing to follow the RMA’s lead in lobbying on the

collective good issue critical to their firm. The greater independence of lobbying efforts by rubber-resin firms reflected the greater diversity of interests among RMA members. While all the airlines produce similar services, there is substantial product diversity within the RMA. RMA members focus on such goods as tires, bushings, castings, sealants, and baby-bottle nipples.

Equally important, a number of RMA members, such as Bridgestone-Firestone, are foreign corporations. This often leads to conflicts of interest among members over such issues as U.S.-regulated pollution control. Despite their different interests, our corporate respondents indicated that they generally were pleased with the RMA's lobbying efforts and left the lobbying for most collective goods to the trade association.

Because we were unable to interview the publishing trade association (the lobbyist sent in the form instead), we relied on information from the two corporate lobbyists on how their firms worked with the trade association lobbyist. The corporate lobbyists indicated that there was little cooperation or coordination between them and the trade association lobbyist. In fact, both corporate lobbyists said that they devoted so much time to collective goods because their trade association was not doing enough on the collective goods issues important to their firms.

Despite the differences among the trade associations in the three industries, one lobbying pattern was clear: trade associations rarely lobbied on any issue that did not affect directly (and almost exclusively) their members. In other words, trade associations seldom lobbied for goods that were collective beyond their industry. For example, the ATA listed only airline issues, and the lobbyist for the publishing trade association listed only publishing issues as receiving lobbying attention.¹⁴ Coupled with our information on the lobbying patterns of the corporations, this finding suggests that lobbyists concentrate their resources on goods that are at the same level of collectiveness as the lobbyist's employer. Corporate lobbyists spend their resources pursuing goods that are private to their company, and trade association lobbyists seek goods that are private to their industry.

Discussion

Although the number of industries, firms, and lobbyists interviewed for this study is small, our interviews confirm the importance of private goods to corporations in heavily regulated industries. Measures of the time lobbyists devoted to particular issues, the goods that the lobbyists named as most important to their firms, and the lobbyists' most important accomplishments showed that private goods had a higher priority than collective goods for lobbyists in the airline and rubber-resin industries. The preference of lobbyists for private goods reflects the incentive structures facing those who demand and those who supply publicly provided goods. Lobbying costs are lower for private goods because it takes fewer public officials to supply them and because lobbyists' requests for private goods often are unopposed by other organized interests.

Our interviews with the PAC directors indicated that they are influenced more by a candidate's past assistance to their firm in obtaining a private good and less by the candidate's ideology or voting record. This suggests that past researchers who concluded that corporate contributions have little influence on legislators' behavior were wrong. Although there may be little relationship between corporate PAC contributions and legislators' roll call votes, roll call votes are not the primary objectives of corporate lobbyists. To determine if an interest's contributions affect the behavior of a legislator, it is first necessary to know what the corporation wants the legislator to do.

A third aspect of corporate lobbying is the relatively small amount of coalition activity. When corporate lobbyists did participate in coalitions they were highly unequal, with the smaller stakeholders in the collective good forcing the largest stakeholder to shoulder a disproportionate share of the lobbying effort. Past interest group research detected lots of coalition activity, and the literature suggests that lobbyists almost always try to form coalitions with potential allies.¹⁵ We believe this discrepancy in findings is the result of different methods for identifying lobbying issues. For example, an excellent study of coalition activity by Marie Hojnacki found that two-thirds of the business group lobbying she examined took place in coalitions.¹⁶ But Hojnacki analyzed lobbying activity by studying five highly visible collective goods issues.¹⁷ Given that the likelihood of

coalition forming is highly correlated with the level of conflict surrounding an issue and the number and strength of opposition groups, Hojnacki's issue selection made it inevitable that she would find extensive coalition behavior¹⁸ To see how different research methods affect findings, take the example of the family and medical leave bill, an issue Hojnacki studied. The bill affected the operating costs of all the firms in our study and was decided during the period covered by our interviews. But none of our interviewees mentioned the medical leave issue. Presumably we did not uncover this issue because none of our interviewees viewed lobbying on the bill as an efficient use of their resources and chose to be free riders on the lobbying efforts of others.

In contrast to Hojnacki's approach, our study asked two questions: "What types of publicly supplied goods attract the greatest lobbying activity by firms?" and "How do firms pursue those goods?" To answer these we identified industries expected to expend differing levels of resources on lobbying. We then interviewed corporate and trade association lobbyists in those industries and asked them to list the most important issues to their firm or association and the amount of time and other resources they spent on each issue. Our approach is likely to uncover lobbying on low visibility issues on which there is less conflict, but it will miss lobbying activities that require little time or effort by the lobbyist.

Conclusion

The broad implications of our research are two. First, the goods corporations seek from government and the tactics they use depend not only on the importance of the good but also on where the good lies on the private-collective continuum. If political scientists are to understand patterns of interest group influence, they must first identify where the desired benefit lies on that continuum. Only then can the political scientists identify which organizations and lobbying strategies are most appropriate to the pursuit of that benefit. Second, because past interest group research generally has neglected private goods, that research has underestimated the effects of corporate lobbying and has overestimated the amount of coalition behavior by corporate lobbyists.

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¹ Theodore J. Lowi, *The End of Liberalism*, 2d ed. (New York: Norton, 1979); James Q. Wilson, *Political Organizations* (New York: Basic Books, 1973).

² William P. Browne, "Organized Interests and Their Issue Niches: A Search for Pluralism in a Policy Domain," *Journal of Politics* 52 (May, 1990): 477–509; William P. Browne, *Cultivating Congress* (Lawrence: University of Kansas, 1995).

³ Mancur Olson Jr., *The Logic of Collective Action* (Cambridge: Harvard University, 1965).

⁴ We offer a formal proof of our expectations concerning why lobbyists will prefer private goods in Barry J. Seldon and Kenneth Godwin, "Firms' Investment in Lobbying for Collective and Private Goods: Results from a Game-Theoretic Model" (paper presented at the meetings of the American Political Science Association, Washington, D.C., September 4, 1998).

⁵ See Marie Hojnacki, "Interest Groups' Decisions to Join Alliances or Work Alone," *American Journal of Political Science* 41 (January, 1997): 61–87.

⁶ Using past case studies of regulation, we chose several industries as potential candidates. We then interviewed stock analysts of those industries to estimate the degree to which firms' profits depend on federal regulation and to identify public policy issues important to the industry. When dealing with conglomerates, we included a corporation only if 50 percent or more of its total sales came from the product under consideration.

⁷ We completed our research before the Firestone tire problem on sport utility vehicles became public.

⁸ A private good often includes two firms because it gives one a competitive advantage over the other. For example, if one airline wins a new international route, another airline that wanted the route did not receive it.

⁹ To ensure that we did not inadvertently encourage lobbyists to give answers that would confirm our hypotheses, we did not share our hypotheses with the interviewer.

¹⁰ *Dallas Business Journal*, 29 July 1996. An independent economic analysis of the Wright Amendment found that it increases the average ticket price out of the Dallas-Ft. Worth Airport by between 17 and 20 percent. Recently the Department of Transportation reinterpreted the Wright Amendment to allow direct flights from Love Field to all states so long as the planes carry 56 or fewer passengers.

¹¹ Readers familiar with *The Logic of Collective Action* will note that this pattern fits exactly Olson's expectation that in these situations smaller stakeholders will exploit larger ones.

¹² The PAC directors were asked why a legislator received money. If the response was that the legislator had helped the airline achieve its goals, the interviewer asked the directors what particular goal, if any, had been most important to the decision.

¹³ One may think of trade associations as institutional arrangements that firms use to reduce the costs of pursuing collective goods. The reduction in costs occurs because if firms pursued the collective good independently there could be duplication of effort. In addition, when an industry pursues a collective good there could be a free rider problem in the absence of trade association involvement. Any firm in the industry would prefer other firms to fund the lobbying so that the free rider can obtain the collective good without helping foot the bill. Trade associations overcome the free rider problem because the association uses funds collected from all the firms in their lobbying effort.

¹⁴ The Rubber Manufacturer's Association listed federal funding for basic research as an issue where the benefits of its lobbying might seem to extend beyond the rubber-resin industry. But the lobbyists' efforts were devoted to directing research dollars toward rubber-resin research and away from alternative industries.

¹⁵ For a review of past research on coalition forming see Hojnacki, "Interest Groups' Decisions."

¹⁶ *Ibid.*

¹⁷ The issues involved energy tax proposals, striker replacement legislation, campaign finance reform, a job training program, and family and medical leave legislation.

¹⁸ Hojnacki, "Interest Groups' Decisions," pp. 70-73.